MULTIMEDIA UNIVERSITY

STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2017 SESSION

BAB 2024 – MANAGEMENT ACCOUNTING FOR MANAGERS

(All Sections / Groups)

24th. OCTOBER 2017
9.00 am. – 11.00 am.
(2 Hours)

INSTRUCTION TO STUDENT

1. This Question paper consists of 6 pages (excluding cover page) with 4 Questions only.
2. Answer **ALL** Questions. All question carry equal marks. The distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided

QUESTION 1

PART A

i. Explain the difference between a product cost and a period cost.

(2 marks)

ii. The following costs and inventory data is taken from the accounting records of Hock Seng Sdn Bnd.

Cost Incurred:	RM
Direct labor cost	70,000
Purchases of raw materials	118,000
Manufacturing Overhead	80,000
Advertising Expenses	90,000
Sales salaries	50,000
Depreciation, office equipment	3,000

Inventories:	1st Jan 2016 (RM)	31st.Dec 2016 (RM)
Raw Materials	7,000	15,000
Work-in-Process (WIP)	10,000	5,000
Finished Goods	20,000	35,000

Required

a) Prepare a schedule of cost of goods manufactured.

(5.5 marks)

b) Prepare the **cost of goods sold** section of Hock Seng Sdn Bhd' income statement.

(2.5 marks)

Continued .....

PART B

Paradise Beverages Sdn Bhd makes blended fruits drinks in two stages. Fruit juices are extracted from fresh fruits and then blended in the Mixing Department. The blended juices are then bottled and packed for shipping in the Bottling Department. The following information relates to the operations in the Mixing Department for June:

Units	
W.I.P June 1	20,000
Direct Materials: 100% complete	
Conversion Cost: 75% complete	
Units started into production	180,000
W.I.P June 30	40,000
Direct Material: 100% complete	
Conversion Cost : 25% complete	

Cost	**RM**
W.I.P June 1	
Direct Materials: 100% complete	25,200
Conversion Cost: 75% complete	24,800
Cost incurred in June	
Direct Material	334,800
Conversion Cost	238,700

Required:

a) Compute the physical unit flow

(2 marks)

b) Compute the equivalent units for the Mixing Department

(3 marks)

c) Compute the unit cost of production for materials and conversion cost and the total unit cost of production for the Mixing Department.

(3 marks)

d) Prepare a cost reconciliation schedule.

(7 marks)

(Total 25 marks)

Continued .....

QUESTION 2

(i) Discuss and explain four (4) benefits of budgeting.

(4 marks)

(ii) The Sales and Marketing Department of Omni Industries Sdn Bhd has prepared the following sales forecast for the coming fiscal year:

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Total
Budget Unit Sales	8,000	7,000	6,000	7,000	28,000

The Company expects to start the (first) 1st Quarter with 1,600 units in finish goods inventory. Management desires an ending finished goods inventory in each quarter equal to 20% of the next Quarter's budgeted sales. The desired ending finished goods inventory for the (4th) fourth quarter is 1,700 units.

In addition, the beginning raw materials inventory for the (1st.) first Quarter is budgeted to be 3,120 pounds and the beginning accounts payable for the (1st.) first Quarter is budgeted to be RM 14,850.

Each unit of finished goods requires 2 pounds of raw materials at a cost of RM 4.00 per pound. Management desires to end each quarter with an inventory of raw materials equal to 20% of the following quarters production needs. The desired ending inventory for the (4th.) Quarter is 3,140 pounds. Management plans to pay for 75% of raw material purchased in the Quarter acquired and 25% in the following Quarter.

Required:

(a) Prepared the Company's production budget for the coming year.

(6.5 marks)

(b) Prepare the Company's direct materials budget;

(8.5 marks)

(c) A schedule of expected cash disbursements for the purchase of raw materials for the coming fiscal year.

(6 marks)

(Total 25 marks)

Continued .....

QUESTION 3

(i) Cost volume profit analysis (CVP) is based on a number of assumption. Explain three (3) of these assumptions.

(6 marks)

(ii) Zalora Industries Sdn Bhd produces a single product. The projected income statement for the coming year is as follows:

	RM
Sales (50,000 units @ RM 50.00)	2,500,000
Less: Variable Cost	1,440,000
Contribution margin	1,060,000
Less: Fixed Cost	816,412
Operating Income	243,588

Required:

(a) Compute the following:

(i) Unit Contribution Margin

(ii) The Break-Even Point in units

(4 marks)

(b) Compute the following:

(i) The Contribution Margin Ratio

(ii) Break-Even Point in Ringgit

(4 marks)

(c) Compute the following:

(i) The margin of safety in Ringgit

(ii) The margin of safety ratio and **explain** what the ratio indicates.

(6 marks)

(d) Compute the following:

(i) Operating leverage;

(ii) The total net income if sales are 20% higher.

(5 marks)

(Total 25 marks)

Continued .....

QUESTION 4

PART A

i. Explain what is 'Ideal Standard' and 'Normal Standard'. Of the two standards explain which standard is normally adopted and why.

(5 marks)

ii. Kulim Manufacturing Sdn Bhd has the following standard cost for one of its products:

	RM
Direct Materials (2 ft. at RM 5.00 per feet)	10.00
Direct Labor (0.5 hr. at RM 10.00 per hour)	5.00
Fixed Overhead (0.5 hr.at RM 2.00 per hour)	1.00
Variable Overhead (0.5 hr.at RM 4.00 per hour)	2.00
Standard Cost Per Unit	18.00

During the recent year, the following actual results were recorded:

	Units	RM
Production	6,000	
Direct materials (11,750 ft. purchased and used)		61,100
Direct labor (2,900 hours)		29,580
Fixed Overhead		6,000
Variable Overhead		10,500

Required

Compute:

(a) Materials price variance.

(b) Materials quantity variance.

(c) Labor price variance.

(d) Labor quantity variance.

(e) Total Overhead variance

(10 marks)

Continued .....

PART B

iii. Tech Industry Sdn Bhd manufactures 30,000 units of glass casing for use in its production of electric lights. The cost per unit of the glass casing is as follows:

	RM
Direct materials	3.60
Direct Labor	10.00
Variable manufacturing overhead	2.40
Fixed manufacturing overhead	9.00
Total cost of one unit of glass casing	**25.00**

An outside supplier has offered to sell 30,000 units of the glass casing to Tech Industry for RM 21.00 per unit. If Tech Industry accepts this offer, the facilities now being used to use to manufacture the glass casing can be rented out to another company at an annual rental of RM 80,000. However, Tech Industry has determined that two-thirds (2/3) of the fixed manufacturing cost would continue even if the glass casings were purchased from an outside supplier.

Required

(a) Using incremental analysis, determine whether Tech Industry should accept the offer from the outside supplier.

(10 marks)

(Total 25 marks)

End of Page.